

Insurance Committee Report Concerning Selection of Item to Report To the Legislature in February of 2013

The Insurance Committee reconvened on June 7, 2012 for the purpose of evaluating § TCA 50-6-919 to determine which section(s) 7 -13 of the statute best align with our expertise for reporting to the legislature in February 2013. Present at the meeting were Bob Pitts, Wes Boyd, Kevin Hale, Randy Thomas, Ashley Arnold, and Mike Shinnick.

Bob Pitts began the meeting by expressing his concern that with all the work done to date, there was no enforcement taking place on premium and unemployment tax avoidance. Bob feels that we need to identify the problems hampering enforcement. He also believes that it's important to take the administration's pulse on Employee Misclassification. The chair encouraged him to present his concerns to the Taskforce in July.

Ashley reminded the committee that the governor's office has a working group considering Workers' Compensation reform in 2013. She raised a concern as to whether the Taskforce had made contact with the Governor's office to determine whether the Governor's office intends to incorporate any Taskforce recommendations in the "reform package".

With respects to premium abuse, Bob Pitts cited three areas:

1. Employees classified as Independent Contractors
2. Off the books payroll
3. Government contracts being a particular area of concern

Communications could be improved to the insurance and contractors industries.

Kevin Hale shared some of the data the DLWD has access to that could potentially be very helpful to a comprehensive data base functioning as a "predictive model" for fraudulent activity. Some of the systems being sold to states like WA and LA have multimillion dollar price tags. Consensus was reached on the benefits of using a data base over recommending large scale increases in investigators.

The Insurance Committee agreed that our charge for the rest of the year should be to focus on item (8), which reads "New strategies for systematically investigating the failure of employers to properly classify individuals as employees." The new strategy is to explore the feasibility of obtaining fraud detection software and related databases (item 5 of "Future Action Items" of the EMATF 2012 Annual Report).

After the meeting, discussions were held with a member of the committee and the Taskforce chair and it was agreed that Kevin Hale should take a limited role in deliberating item 8 considering his potential involvement in developing a system for EMEEF. Agreed upon ground rules follow:

In committee discussions, following are principles that will assist the committee chairs in managing this potential conflict.

FAIR GAME

- His system
- Determination of need
- Setting specifications

OFF BASE

- * Previewing of other systems
- * Critiquing other systems
- * Voting on product recommendations

Finally, committee chairs will use their discretion in identifying and managing other areas of conflict that they deem relevant.